

## Message Text

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ACTION EB-08

INFO OCT-01 AF-10 EUR-12 EA-10 NEA-11 ISO-00 COME-00

AID-05 CIAE-00 INR-10 NSAE-00 AGRE-00 TRSE-00

SSO-00 INRE-00 /067 W

-----021828 101216Z /40

O R 101119Z JUN 78

FM AMEMBASSY KHARTOUM

TO SECSTATE WASHDC IMMEDIATE 7553

INFO AMEMBASSY ABU DHABI

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY CAIRO

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

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DEPARTMENT PASS TREASURY, BRUSSELS FOR ASST. SEC. MOOSE

E.O. 11652: N/A

TAGS: EFIN, SU

SUBJECT: SUDANESE DEVALUATION SETS STAGE FOR IMF AGREEMENT

REF: KHARTOUM 2569

1. FOLLOWING CLOSURE OF BANKS AFTERNOON OF JUNE 8, SUDANGOV ANNOUNCED 25 PERCENT DEVALUATION OF SUDANESE POUND. OFFICIAL RATE NOW STANDS AT US\$2.50 EQUALS LS 1; WITH 25 PERCENT INCENTIVE BRINGING VALUE TO TWO DOLLARS PER SUDANESE POUND. EXCHANGE RATES OF SUDANESE NATIONALS WORKING ABROAD (\$1.67 EQUALS 1 LS)

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AND THE ARTIFICALLY HIGH EXCHANGE RATE FOR PRIME CASH CROPS LIKE COTTON REMAIN THE SAME. EXPORTS EXCLUDING COTTON WILL BE ELIGIBLE FOR AN INCENTIVE OF 10 PIASTRES PER DOLLAR. BANKS WILL REMAIN CLOSED FOR THREE DAYS TO IMPLEMENT THE NEW SYSTEM.

2. DEVALUATION REPRESENTS FINAL REQUIREMENT FOR ACCEPTANCE OF IMF AGREEMENT. ON MAY 31 MINISTRY OF FINANCE PROPOSED

AUSTERITY BUDGET TO REDUCE DOMESTIC EXPENDITURES AND INFLATION (REFTEL). FORMAL SIGNATURE OF IMF NOW AWAITS NEXT MEETING OF IMF BOARD OF DIRECTORS. AT THAT TIME SUDAN CAN INITIATE DRAWINGS FROM IMF TRUST FUND TOTALING SDR 30 MILLION AND CAN OBTAIN AN ADDITIONAL SDR 70 FROM ITS FIRST AND SECOND TRANCHE DURING THE NEXT 12 MONTHS.

3. SUDANESE OFFICIALS ARE HOPING THAT SAUDI ARABIA WILL NOW PROVIDE ADDITIONAL BALANCE OF PAYMENT SUPPORT TO HELP SUDAN THROUGH DIFFICULT ADJUSTMENT PERIOD. FOLLOWING US REPRESENTATIONS TO SUDANGOV FOR ACCEPTANCE OF IMF TERMS, CENTRAL BANK OFFICIALS LOOK TO THE US FOR SOME EXPRESSION OF SUPPORT. IN CONVERSATION WITH ECONOFF, DEPUTY GOVERNOR OF CENTRAL BANK INDICATED THAT COMMODITY ASSISTANCE FROM THE US WOULD BE PARTICULARLY USEFUL IN MINIMIZING THE IMPACT OF HIGHER IMPORT PRICES.

4. REACTION TO THE DEVALUATION HAS, THUS FAR, BEEN MINIMAL. THE ANNOUNCEMENT OF THE DEVALUATION WAS LOW KEY, AND HAS NOT GENERATED MUCH PUBLIC INTEREST. BUSINESS COMMUNITY, WHILE RECOGNIZING THE LONG RANGE NECESSITY OF DEVALUATION, WAS CAUGHT OFF GUARD AND MANY WHO PURCHASED ON CREDIT FACE CONSIDERABLY HIGHER REPAYMENTS. BANKING COMMUNITY HAS BEEN PLEASED WITH THE ACTION. CENTRAL BANK OFFICIALS, WHO HAD FOUGHT THE DEVALUATION FOR MANY MONTHS, REMAIN UNHAPPY WITH THE GOVERNMENT'S ACTION ALTHOUGH THEY SEEM RELIEVED THAT IT IS LIMITED OFFICIAL USE

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OVER.

5. COMMENT: HAVING TAKEN MEASURES WHICH WERE BOTH POLITICALLY AND ECONOMICALLY DIFFICULT, THE GOVERNMENT IS NOW LOOKING TO ITS ARAB AND WESTERN FRIENDS TO OFFER THE FINANCIAL SUPPORT NECESSARY TO OVERCOME THE UNSTABLING EFFECTS OF DEVALUATION. SUCH SUPPORT IS ESSENTIAL AT THIS POINT. LONG RUN FINANCIAL PICTURE LOOKS MORE PROMISING, BUT ONLY IF THE SHORT RUN ADJUSTMENT CAN BE MADE SMOOTHLY. WHILE SUDANGOV OFFICIALS UNDERSTAND THE LIMITED OPTIONS FOR US ASSISTANCE AT THIS MOMENT, THEY WILL BE LOOKING TO US FOR SOME EXPRESSION OF SUPPORT IN THE NEAR FUTURE.

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## Message Attributes

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**Channel Indicators:** n/a  
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**Concepts:** DEVALUATIONS, FINANCIAL AGREEMENTS  
**Control Number:** n/a  
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**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
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**Disposition Date:** 20 Mar 2014  
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